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HIGHLIGHTS

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ONTARIO BUDGET

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THE
HONOURABLE
ROBERT F. NIXON
TREASURER
OF ONTARIO



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HIGHLIGHTS

1985
Ontario
Budget

The 1985 Ontario Budget presents a plan to balance social responsibilities with fiscal responsibilities. It creates jobs, introduces new housing initiatives, provides assistance to farmers and promotes economic development in the North. The Budget applies the principles and practices of good management to Government with fairness and equity: keeping clear, open and understandable books; spending money efficiently where it is most needed; and dealing responsibly with our partners in health and social services, education, and municipal governments.

A Realistic Presentation

This Budget presents a realistic statement of Ontario's financial position and provides a sound basis for future planning.

Over \$2 billion in financial assets that represent "left-pocket-to-right-pocket-and-back-again bookkeeping entries" are being removed from the Province's books. Overvalued assets are being written down.

Unfunded commitments are being funded.

Suncor

The \$650 million Suncor investment is being removed from the Province's books. The Province's investment is being written off and the remaining amount on the loan is being discharged. A review will assess all options to sell the shares as soon as financially prudent.

Ontario Land Corporation

Provincial land holdings are being written down to reflect current appraised value and then

transferred to appropriate ministries or sold as market conditions permit.

Mortgage portfolios are also being written down to reflect existing market conditions.

Ontario's Economic Outlook

The economy is about to enter its fourth successive year of expansion. This year's real growth is expected to be 4.5 per cent. Inflation has fallen from double-digit levels to around four per cent in the last two years. This stability should lead to lower and more stable interest rates. The unemployment rate is expected to drop from an average 8.2 per cent this year to 7.7 per cent in 1986.

Expenditure Priorities

The Budget provides the funding to live up to the commitments outlined by the Premier on July 2 including job creation and training, regional and community-based economic development, and adequate and affordable rental housing.

Training and Employment for Youth

The Budget provides \$175 million in 1985-86 and \$200 million in 1986-87 to help young people get jobs and much needed training. Employment opportunities and training places will be created for more than 230,000 young people by the end of next year.

A \$13 million co-operative education program will help high school students make the transition from school to the workplace.

Helping Ontario's Farmers

Agriculture continues to experience serious economic pressures. This Budget provides funding

for a \$50 million Ontario Family Farm Interest Rate Reduction Program. It also provides \$20 million to the Tripartite Stabilization Plan for red meat producers and a \$6 million transition fund for tobacco growers and other farmers leaving the agriculture industry.

Providing Affordable Rental Housing

In the next three years, 10,000 additional non-profit housing units will be built including 4,000 units for families who will receive rent-geared-to-income subsidies. In addition, a new program will provide interest-subsidized loans to developers to stimulate the production of 5,000 rental housing units. These two programs will generate over 30,000 jobs.

Improving Access to Child Care

An additional 10,000 subsidized child care spaces will be provided with priority given to child care in rural and underserved areas and to children with special care requirements.

Helping Seniors Maintain Independence

The Budget allocates \$11 million, on an annual basis, to strengthen support for seniors and begin the process of revitalizing community care.

Developing Northern Ontario

A \$100 million special Northern Development Fund will help create viable and enduring economic activity in the North.

The Government will also provide financial assistance to residents of Northern Ontario required to travel long distances for necessary medical care unavailable in their communities.

Small Business Development Corporations

The Budget improves the effectiveness of the Small Business Development Corporations (SBDC) Program in Northern and Eastern Ontario. Computer software development is being made an eligible SBDC activity throughout the province and the allocation for the program will be increased to \$30 million for the 1985-86 fiscal year.

Transfer Payments

To plan effectively for the provision of adequate and efficient services, our school boards, colleges, universities, hospitals and municipalities need early information on future funding levels.

Early announcement of financial support for major transfer recipients for the 1986-87 fiscal year is included in this year's Budget.

Colleges and Universities

- An allocation of \$80 million for colleges and universities excellence funds.
- A four per cent increase in basic operating grants to colleges and universities.
- A four per cent cap on formula tuition fee increases and an eight per cent increase in funding, to \$145 million, for the Ontario Student Assistance Program.

School Boards

- Advances to school boards restored to their historic seven per cent level.
- The 1986 General Legislative Grants increased by 5.4 per cent.

- A \$25 million education capital fund for school boards to start building needed facilities.
- \$107 million to honour the Government's funding commitment to separate secondary schools.
- \$17 million in capital funding for separate secondary schools.

Municipalities

- A 4.2 per cent increase in the basic allocation for total transfers.
- A \$60 million fund for municipal improvements for special road renovations and transit capital projects.

Hospitals

- An 8.3 per cent increase in the total allocation for the operation of hospitals.

Social Assistance Recipients

- A four per cent increase in social assistance rates, effective January 1, 1986.
- An increase in the shelter subsidies.
- An increase in benefits for children of social assistance recipients, and for handicapped children in particular.

Certainty in Transfer Funding

To provide continuity in funding and further strengthen the partnership between the Province and its major transfer recipients, the Budget provides assurances of a further four per cent increase in basic 1987-88 transfer payments.

Ontario's Revenue System

To provide services to the people of Ontario, additional revenues are needed. These measures bring fairness and equity to Ontario's tax system.

Capital Gains

Ontario is developing proposals to limit the large tax break for higher-income Canadians created by the federal government's capital gains exemption. The federal exemption will do more to stimulate speculation in real estate and foreign securities than productive investment in Canadian business.

Tax benefits of the capital gains exemption should be directed only to small Canadian businesses and family farms.

Personal Income Tax

- An Ontario minimum personal income tax beginning in 1986.
- An increase in Ontario's general rate of personal income tax from 48 per cent of basic federal tax to 50 per cent, will be effective, beginning with the 1986 tax year.
- A surtax of three per cent on Ontario income tax in excess of \$5,000 for the 1986 tax year.
- An enrichment to Ontario's tax reduction program to benefit 390,000 low-income Ontarians.

Corporate Income Tax

- Adoption of the half-year convention limiting the tax depreciation allowed on capital assets purchased by corporations.

- Elimination of the three per cent inventory allowance deduction in Ontario's corporate income tax.
- Small business tax simplification measures for tax years ending after December 31, 1984, offset by an increase of one-half percentage point in Provincial corporate income tax, except for small businesses.

Retail Sales Tax

- A tax exemption for prepared food sold for \$1.00 or less.
- The removal of tax on feminine hygiene products.
- A tax exemption for children's car seats.
- Indefinite extension of the tax rebate on accommodation tax paid by out-of-province visitors.
- Reinstatement of the tax on Maple Leaf gold coins.

Motive Fuels and Tobacco

The 1981 *ad valorem* taxes on motive fuels and tobacco are being repealed and replaced with a specific tax per unit of product:

- 8.8 cents per litre for all grades of gasoline and 9.9 cents per litre for diesel fuel; and
- 2.7 cents per cigarette and 1.5 cents per gram of cut tobacco.

Mining Tax Reform

The Budget proposes to simplify the mining tax system in Ontario and streamline administrative provisions of the Mining Tax Act. The graduated rate structure will be replaced with a flat 20 per

cent tax rate and the processing allowance structure will be scaled back.

Other Revenue Changes

- An increase in liquor, wine and beer markups and special occasion permit fees and levies, effective November 12, 1985.
- Adjustments in motor vehicle registration and annual driver's licence fees.
- A restructuring in the land transfer tax.

Better Value for the Taxpayer's Dollar

Measures are being taken to streamline some agencies, consolidate Government functions and divest a number of Crown corporations.

- Capital Aid Corporations will be eliminated.
- Ontario Land Corporation and IDEA Corporation will be wound down.
- The functions of the Ontario Energy Corporation are under review.
- Ontario Economic Council will be disbanded.
- Ontario Institute for Studies in Education will be transferred to the University of Toronto.
- Three foreign offices will be closed.

The Fiscal Plan

Net cash requirements for 1985-86 are estimated at \$2,213 million and include \$518 million in extraordinary one-time adjustments.

Before adjustments, requirements are forecast at \$1,695 million compared to \$1,702 million in 1984-85. The Province's expenditure growth will be held below the rate of economic growth.

Conclusion

We are confident this Budget describes a fiscally responsible plan to finance the everyday business of Government and to pay for the priorities of a new Administration.

- We have constrained unnecessary expenditures and eliminated unnecessary agencies.
- We have brought new fairness to the task of raising revenues needed to maintain the quality of public services and meet new priorities.
- We have taken steps to improve the financial stability of our local governments, colleges, universities and hospitals.
- We have opened up the books.

We are fulfilling the Government's commitments of July 2.

Enquiries

General enquiries about the 1985 Ontario Budget should be directed to:

**Ministry of Treasury and Economics
Frost Building, Queen's Park
Toronto, Ontario
M7A 1Y7
(416) 965-8400**



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